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MARKETS ROTATE IN A VOLATILE OCTOBER

Global financial markets were volatile in October 2026 amid a macro backdrop of a still-resilient US economy, multi-decade bond yield spikes in the first half of the month, sharp rotations out of the tech sector, safe-haven assets retracing, rising commodity prices, Bitcoin experiencing its weakest October in more than a decade and heightened geopolitical anxiety ahead of the US midterm elections.

The Nasdaq fell 5.3%, its worst month since March 2025, as disappointing tech earnings revived doubts over returns on AI spending, culminating in Intel's near 30% collapse on the final trading day of the month. Credit spreads on tech names widened.

Investors rotated into energy, healthcare, utilities and staples, leaving the FTSE 100 2.9% higher on its defensive, commodity-heavy mix, but Japan's Nikkei 225 8.2% lower.

CREDIT SPREADS ON TECH NAMES WIDENED

The real economy seemingly remained resilient. US growth accelerated to 3.4% in the third quarter, the fastest in a year, and consumer confidence jumped. However, inflation remained sticky, with US September CPI coming in at 3.7% and PCE inflation rising to 3.6%. The Federal Reserve held interest rates at 3.75% - 4.00% on 28 October, with two dissenters calling for an immediate hike, and markets pricing in a December increase.

The European Central Bank and Bank of Japan also held rates at current levels but are expected to resume tightening in December, while Christine Lagarde's announced February exit added uncertainty to the Euro-area monetary policy environment. The 10-year US Treasury yield ended the month at 4.93%, down 36 basis points, the biggest fall since 2023, defying the multi-decade highs reached in the first half of the month. The late-October rally followed tech stock sell-offs that led to central banks pausing. However, Japan and Korea are reported to have been less reliable buyers of Treasuries which may put structural pressure on the US bond market.

Oil was the biggest mover in the month, with Brent ending the month at about $113 a barrel, up 13.6% in October to its highest level since late April, on fears of renewed US-Israeli strikes on Iran.

SILVER LOST ROUGHLY 18% AND SLIPPED BELOW $50

Figure 6: Brent Crude Reached Its Highest Level Since April



Source: MarketDesk. Brent crude front-month futures.

Goldman Sachs estimates the threat of fresh disruption could add about $27 a barrel. European gas jumped to near €104/MWh on colder forecasts, while corn fell almost 11% on a large supply influx, its biggest monthly price drop since June 2023.

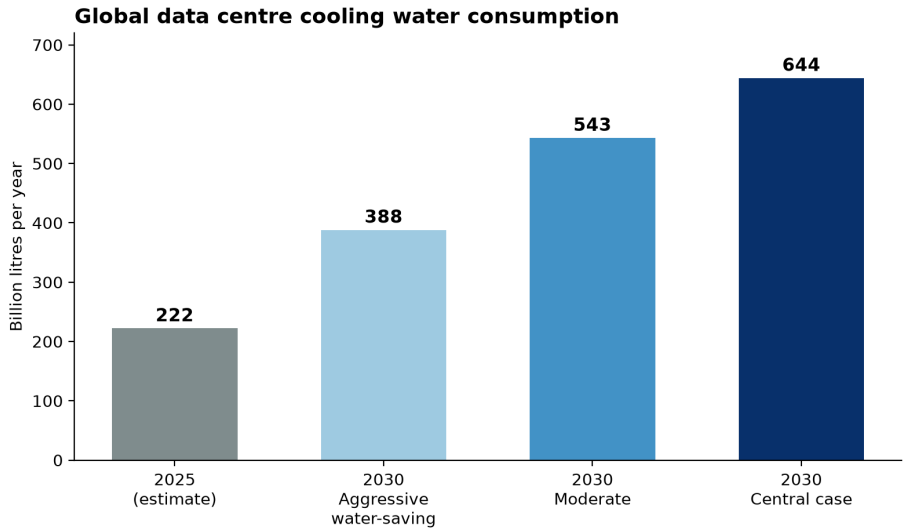
Gold dropped to about $3,880 an ounce, a one-year low and its worst October since 2008, as rate expectations and forced selling outweighed geopolitical risk. Silver lost roughly 18% and slipped below $50. Copper eased, although tight physical supply is expected to provide a floor and there are signs of tightness still evident across the physical market.

Bitcoin fell below $77,000, its weakest October in more than a decade, hit by a $6.3 billion hack at Binance. It is down about 12% for 2026.

AI'S THIRSTY EXPANSION: UNLOCKING VALUE ACROSS THE WATER ECOSYSTEM

The AI boom has so far been driven by semiconductors, hyperscale cloud and grid power, but water is fast becoming a critical physical bottleneck. High-density AI clusters need unprecedented levels of cooling, yet around two-thirds of a data centre's total water impact comes from upstream electricity generation. A large facility can use up to five million gallons a day, and Rystad Energy expects global cooling water use to nearly triple to 644 billion litres by 2030 if operators do not adapt.

WATER IS FAST BECOMING A CRITICAL PHYSICAL BOTTLENECK



Source: Rystad Energy, 'Tech Thirst: Data center water consumption could triple by 2030', 2026. Direct cooling water only.

A July 2026 Congressional Research Service report put data centres' direct water use at about 2% of total US consumption. National figures can hide the local picture, though, as a single large site can add substantial new demand to one community. Rising resource intensity, municipal constraints, regulation and local opposition are together creating the next "picks-and-shovels" opportunity, this time across the global water value chain.

Investment in AI's water needs falls into three areas. The first is cooling: densely packed GPUs (graphics processing units), have outgrown air cooling, and sealed liquid loops with direct-to-chip plates can roughly halve a site's water use, an area led by companies such as Vertiv Holdings.

The second is treatment and reuse: about two-thirds of new data centres are in water-stressed regions where extraction limits are tight, so on-site recycling and leak detection are now essential, which benefits companies like Xylem. The third is chipmaking, where foundries need tens of millions of gallons of ultrapure water a day to make advanced AI processors, creating demand for specialist providers such as Organo Corp.

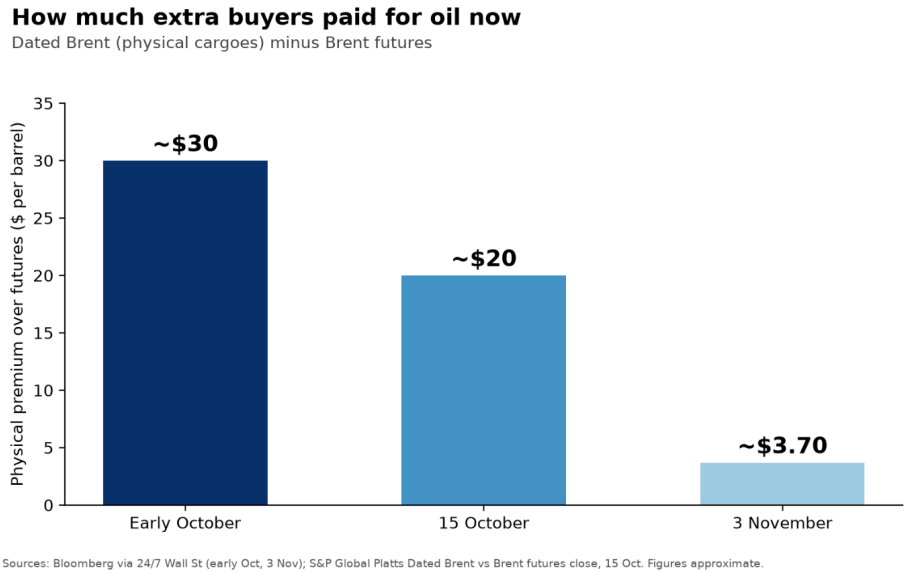
The AI buildout is making water stewardship a growing operational and investment consideration. Microsoft, Google and Meta have committed to net-positive water replenishment by 2030, which is driving spending on closed-loop cooling, wastewater reclamation and smart metering.

Risks include growing community opposition, with permit disputes blocking or delaying dozens of projects in 2026 alone. A rapid shift to dry cooling would remove direct water use but raise power demand, and with it the indirect water used by thermal power generation

A RAPID SHIFT TO DRY COOLING WOULD REMOVE DIRECT WATER USE BUT RAISE POWER DEMAND

OIL ON PAPER, OIL IN HAND: OCTOBER'S HIDDEN PRICE WAR

IN EARLY OCTOBER, BUYERS PAID ABOUT $30 A BARREL MORE FOR OIL THEY COULD GET PROMPTLY, THAN FOR OIL ON PAPER



Sources: Bloomberg via 24/7 Wall St (early Oct, 3 Nov); S&P Global Platts Dated Brent vs Brent futures close, 15 Oct. Figures approximate.

The headline oil price told only half the story in October. Brent futures, the "paper" price on financial screens, rose 15.7% over the month to $113.43. They peaked at $116.72 on 23 October.

Meanwhile the price of physical cargoes, known as Dated Brent, was doing something different. Dated Brent is the price for real North Sea oil loading in the next few weeks, while futures price delivery further ahead. In early October, buyers paid about $30 a barrel more for oil they could get now than for oil on paper.

Over the month the two prices moved towards each other. Physical prices eased as more oil got through: flows through the Strait of Hormuz reached 11.7 million barrels a day in October, about 82% of pre-war levels. Futures went the other as traders priced in the risk of fresh disruption.

By the start of November, the physical premium had shrunk to about $3.70. Getting oil to buyers remained expensive, though. Freight from the Gulf to China was adding about $13.50 a barrel.

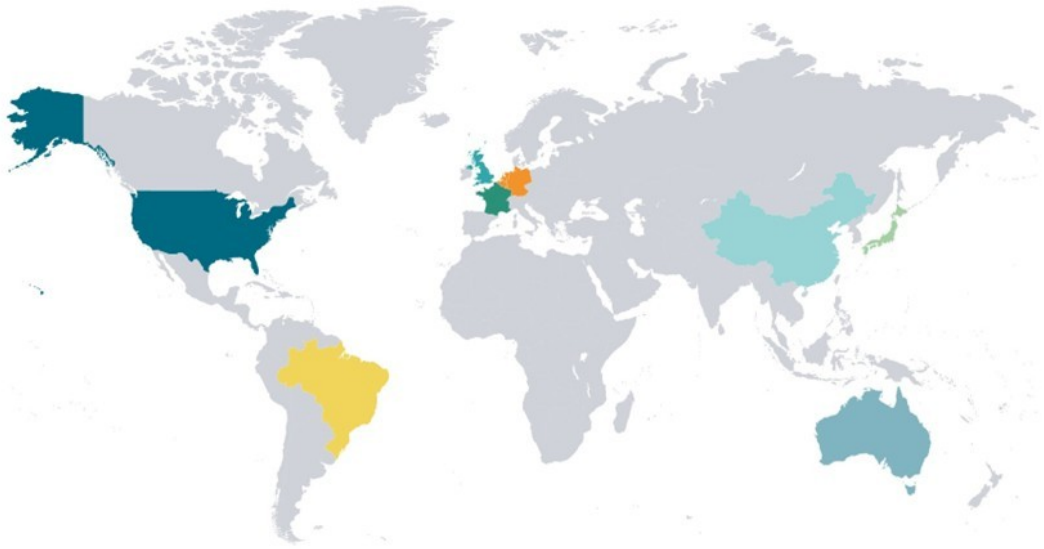
For investors, the lesson is that the headline oil price is not always the best measure of stress. The physical premium showed supply constraints easing well before the futures price did. The futures curve also remained steeply backwardated, meaning near-term oil costs more than later deliveries. Contracts for December 2026 traded almost $27 above those for a year later.

That has been good for commodity funds that hold futures. As each contract nears expiry it tends to rise in price, so when funds roll from one contract into the next, cheaper one, they earn a return. If the risk premium in futures fades, though, that support could disappear quickly.

The chart shows daily Brent futures prices for the month. It marks Dated Brent on 15 October, the gap between the two prices, and how much that gap had narrowed by early November.

THE HEADLINE OIL PRICE IS NOT ALWAYS THE BEST MEASURE OF STRESS

GLOBAL MARKET RETURNS - OCTOBER 2026



S&P500	FTSE100	CAC40	NIKKEI	IBOVESPA	DAX	ASX200	SSE
-0.89%	1.29%	0.15%	-5.18%	-9.88%	-0.07%	1.38%	-6.33%

OIL 15.39%

GOLD -4.96%

Source: FE Analytics figures quoted are in local market currency on a total return basis.



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